

1-800-FLOWERS.COM - How Should Marketing Savings Be Deployed?

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Topic: Customer Strategy, Corporate Strategy, Pricing Strategy

Industry: Other Specialty Retail

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Case convention: This is an author-created management decision exercise. The assignment and alternatives are hypothetical; company disclosures are historical. No private deliberations are represented. The case uses the Q3 FY2026 Form 10-Q and earnings release and the FY2025 Form 10-K. The May 7 earnings-call audio and Q&A are outside the case information set.

The decision

1-800-FLOWERS.COM, Inc. (FLWS) had prioritized marketing effectiveness and profitability over near-term growth. E-commerce orders fell, even as average order value rose. In parts of the business, contribution economics improved while revenue declined.

On May 7, 2026, management reported that it had achieved its previously announced two-year cost-savings target ahead of plan. It said it was beginning to reinvest a portion of savings and test targeted marketing investments. The company did not disclose the amount available to reinvest, a channel-level budget, test design, or results. [S1], CEO statement, pp. 1-2.

Assignment: Advise FLWS leadership on how to prioritize, stop, or scale the targeted marketing tests already underway. Recommend the evidence and decision rules management should use to balance demand recovery, contribution, and cash discipline. Any budget, channel allocation, or performance hurdle you propose is a classroom assumption, not a disclosed company plan.

A seasonal business with a demand problem

FLWS operated a portfolio of consumer brands in flowers, gifts, gourmet foods, and personalized products, alongside its BloomNet floral-services business. Its customer proposition depended on occasions and timely fulfillment. The Thanksgiving-through-Christmas period was expected to generate more than 40% of annual revenue and all earnings; floral occasions supported the third and fourth fiscal quarters. [S2], MD&A, pp. 35-36.

For the third quarter ended March 29, 2026, consolidated revenue was \$293.0 million, down 11.6% year over year. E-commerce revenue fell 14.4%. The company fulfilled approximately 3.0 million e-commerce orders, down 18.5%, while average order value increased 5.0% to \$83.39. Those averages combine customer groups and product categories; the filing does not separate new, repeat, and reactivated customers. [S2], MD&A, pp. 29-31.

Management attributed the revenue decline mainly to its focus on marketing effectiveness and profitability. It also cited changes in search-engine results affecting organic traffic and pressure on direct traffic. These explanations leave an important question: how much of the decline

reflects the company's spending choices, and how much reflects discovery, seasonality, product mix, or other operating factors? [S1], pp. 1-2; [S2], MD&A, pp. 29-31.

Different results across the portfolio

Exhibit 1. Fiscal 2026 third-quarter segment snapshot

USD millions except percentages; results for the quarter ended March 29, 2026. Contribution margin is a company-reported non-GAAP measure and excludes corporate overhead and specified items.

Segment	Revenue	Revenue change	Gross margin	Contribution margin*
Consumer Floral & Gifts	\$159.4	–18.7%	38.0%, up 120 bps	\$10.4 vs. \$6.5 prior year
Gourmet Foods & Gift Baskets	\$106.9	Essentially flat	22.6%	\$(15.8) vs. \$(22.3) prior year
BloomNet	\$26.9	–5.9%	46.4%	\$7.5 vs. \$8.5 prior year

Source: [S1], segment results, p. 2. Figures are rounded. “Contribution margin” is a company-reported non-GAAP segment measure that excludes corporate overhead and, in these comparisons, specified severance, impairment, or system costs. Consumer Floral & Gifts margin improvement reflected management-reported pricing discipline, targeted promotions, and fulfillment mix; Gourmet Foods & Gift Baskets benefited from Easter timing and lower labor/facility costs. These concurrent changes do not isolate a marketing effect.

The Consumer Floral & Gifts segment contained the sharpest decline. Its e-commerce order count fell 24.3% in the quarter, while average order value rose 7.1%. Gourmet Foods & Gift Baskets e-commerce orders fell 8.0% and average order value rose 2.8%; management cited holiday timing and wholesale volume in discussing its results. The Gourmet segment is not a clean control group for a marketing test: its brands, products, channels, and seasonal mix differ. [S2], MD&A, pp. 30-31.

What the expense line does-and does not-show

Exhibit 2. Marketing and sales expense

USD millions; consolidated.

Period	FY2026	Prior year	Change	% of net revenue, FY2026 / prior year
Third quarter	\$86.2	\$106.7	–19.2%	29.4% / 32.2%
First nine months	\$311.4	\$375.8	–17.1%	25.7% / 27.9%

Source: [S2], MD&A, p. 32. The filing's “marketing and sales” expense includes advertising and promotions, catalog costs, online portal and search costs, some retail and fulfillment operations, customer service centers, and marketing, sales, and merchandising departments. It is not an advertising-only measure and does not disclose the amount of recurring savings available for

reinvestment.

The company reported Q3 adjusted EBITDA loss of \$31.2 million and GAAP net loss of \$100.1 million, including a \$45.2 million non-cash impairment charge. Management's FY2026 outlook was for revenue to decline approximately 10%-12% and adjusted EBITDA to be approximately breakeven, within plus or minus \$2 million; that outlook included about \$22 million of anticipated incentive compensation and consultant costs. [S1], pp. 1-2.

At March 29, 2026, cash was \$50.7 million and working capital was \$30.6 million. Nine-month free cash flow was \$20.0 million, compared with negative \$31.7 million in the prior year. Management attributed the improvement primarily to working-capital management. The company also expected to use its revolving facility again for pre-holiday inventory needs. These figures inform timing and risk; free cash flow is not a measure of recurring marketing savings. [S2], MD&A, pp. 28-29, 35-36.

Customers, channels, and competitors

The FY2025 annual report described roughly 0.9 million Celebrations Passport members. It said Passport members and multi-brand customers-about 20% of customers and 40% of revenue-spent two to three times as much on average as other customers. These are company-reported cohort associations, not evidence that membership or cross-brand purchasing caused the higher spend. [S3], Item 1, pp. 1-2.

FLWS described a fragmented competitive environment spanning local florists, online marketplaces, floral retailers, social platforms, gift alternatives, wire services, supermarkets, and specialty retailers. Management said search-engine-results changes were affecting organic traffic and direct traffic was under pressure. The company did not disclose comparable competitor marketing budgets, share, customer-acquisition costs, or channel returns. [S1], p. 2; [S3], Item 1, p. 7.

The disclosures do not establish which demand mechanisms matter most or how much the targeted tests can change them. Public information also does not reveal the tests' channel mix, design, or results.

Decision memo

Prepare a concise recommendation for FLWS leadership. Address:

1. Which customer, brand, occasion, or channel groups should receive priority, and why?
2. What should count as incremental success: orders, net revenue, contribution after discounts and fulfillment, repeat purchases, customer experience, or a combination?
3. How should management account for seasonality, search-driven traffic changes, and customer selection when evaluating a test?
4. What evidence should trigger expansion, redesign, or termination?
5. What data would management need before increasing investment beyond the tests already underway?

The case supplies no marketing elasticity, test lift, savings bridge, customer-level economics, or competitor-spend benchmark. Do not present an assumed budget or return as a historical fact.

Sources

- **[S1]** 1-800-FLOWERS.COM, Inc., [Fiscal 2026 third-quarter earnings release](#), May 7, 2026, pp. 1-2 and non-GAAP definitions.
- **[S2]** 1-800-FLOWERS.COM, Inc., [Form 10-Q for the quarter ended March 29, 2026](#), filed May 7, 2026, MD&A pp. 28-36.
- **[S3]** 1-800-FLOWERS.COM, Inc., [FY2025 Form 10-K](#), filed September 5, 2025, Item 1 pp. 1-2, 7, and Item 1A pp. 12-13.

For source versions, limitations, and additional evidence details, see the research dossier, source register, and evidence extraction.